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ABSTRACT

Under proposed legislation to replace the Comprehensive Employment and Training Act (CETA), business can be expected to assume an even greater involvement in job training programs at the state and local levels. How the private sector is adapting to its new role, particularly through the private industry council (PIC) system, is the subject of this ongoing research program. Information was gathered through selective analyses of Department of Labor national performance data on CETA programs; a review of outside CETA evaluations including the Continuous Longitudinal Manpower Survey, and the Center for Public/Private Ventures and Ohio State University evaluations of private sector initiative programs; and an indepth survey of 93 private industry councils. Preliminary evidence from these sources shows that PICs have made significant contributions to the program--even in their limited roles, to date. PICs have shown improved job placement rates, lower costs per placement; a higher quality of job placements, shown by long term job retention and wage gains; and improved linkage between the business community and local education, training, and economic development activities. At the same time, there is no evidence that improved performance has taken place at the expense of more disadvantaged clients. Finally, the evidence does not show a lack of business interest in employment and training but, rather, demonstrates an ability to take advantage of even limited opportunities to make a difference. (KC)

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Issues and Findings

Business Impact on Training the Disadvantaged

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**BUSINESS IMPACT
ON TRAINING
THE DISADVANTAGED**

**NATIONAL ALLIANCE OF BUSINESS
JUNE, 1982**

FOREWORD

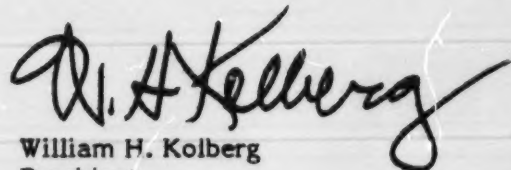
The substantive business role in employment and training programs is a relatively recent development. Under proposed legislation to replace the Comprehensive Employment and Training Act (CETA), business can be expected to assume an even greater involvement in job training programs at the state and local levels. How the private sector is adapting to its new role, particularly through the private industry council (PIC) system, is the subject of an ongoing research program including a survey of 93 private industry councils at the National Alliance of Business (NAB).

At a time when a new job training system is being shaped, this report provides detailed evidence showing that PICs — even in their limited role to date — have made significant contributions to the program. The effective performance of PICs is shown in the different sources of information on private sector activity that were part of NAB's research. These include:

- o Selective analyses of Department of Labor national performance data on PSIP and other CETA programs.
- o A review of outside CETA evaluations including the Continuous Longitudinal Manpower Survey, and the Center for Public/Private Ventures and Ohio State University evaluations of PSIP.
- o An in-depth survey of 93 private industry councils, conducted through NAB's regional service offices.

This report updates an earlier NAB publication, Issues and Findings #2 — The Role of Business in Employment and Training — and summarizes the preliminary results of our PIC survey and our analysis of the final FY 1981 Department of Labor performance data. A more complete analysis and reporting of our findings is scheduled to be released later this summer. A more detailed account of the PIC survey results (an interim report outlining all of the preliminary findings) is available from NAB's Clearinghouse.

NAB will continue to disseminate the most up-to-date information and analyses of business involvement in employment and training in subsequent Issues and Findings reports. I hope you will find the results of our research helpful and enlightening.



William H. Kolberg
President
June 1982

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INTRODUCTION

Private Sector Involvement

Private sector participation in local job training program management is a key issue in current proposals to revise the nation's employment and training system. Legislation before both the Senate and House would strengthen and expand the role of private industry councils (PICs). However, there are considerable differences in the two bills overall, and amendments introduced in both houses could affect the final shape of business involvement.

These proposals to increase private sector involvement are based on three major considerations: 1) a general perception that the Comprehensive Employment and Training Act (CETA) and other training programs have been unresponsive to private sector needs; 2) a widespread feeling that public service employment and expanded public subsidies are no longer politically viable options, and that the private sector should fill the gap; and 3) evidence that business involvement in past training programs has produced superior results.

However, positive judgments about private sector participation are not universal. Some observers question the value of business involvement, suggesting that it has been, and will be, limited. Others indicate that PSIP programs authorized in Title VII of CETA have produced significant results at the cost of screening out the more needy unemployed clients -- a practice called "creaming."

"Creaming" concept Questioned

NAB's research on PIC activities during the past year suggests that these critical conclusions may be misleading. NAB's information, compiled from broadly-based resources, indicates remarkably efficient Title VII performance nationwide with little or no compromise in serving market clientele.

NAB research includes:

- o An analysis of FY 1981 DOL data on all Title VII and Title IIB,C expenditures programs, client outcomes and client characteristics.
- o A review of DOL performance data on Skill Training Improvement Programs (STIP) -- a precursor to the Title VII program which involved business and emphasized intensive skill training aimed at private sector placements.
- o A review of the Continuous Longitudinal Manpower Survey (CLMS) -- a long term assessment of how CETA affected client employment status.

o A brief analysis of several individual PICs and prime sponsors widely recognized for gaining serious business involvement over an extended period.

o A review of the Center for Public/Private Ventures study and the Ohio State University evaluation of Title VII.

o An in-depth survey of 93 private industry councils. Consisting of 72 questions, the survey was designed by NAB and administered on-site to PIC and/or prime sponsor staff by NAB Regional Service Offices between January and April 1982. The NAB survey intentionally focused on larger PICs which control roughly 50 percent of all Title VII allocations. Data were collected on PIC structure, staffing, program content, funding, performance, linkages with other programs and technical assistance needs.

SECTION I

KEY FINDINGS

TIME SPAN LIMITED

Title VII focus on business involvement represents a very limited experiment.

The business community has had very little time or opportunity to affect the character of CETA programs. While the Private Sector Initiative Program (PSIP) was authorized four years ago with the passage of Title VII in 1978, Congress did not appropriate funding for Title VII until FY 1980. The result is that less than 10 percent of Title VII programs had begun operation by January 1, 1980, according to Department of Labor statistics. Realistically, it takes PIC members a year to become familiar with the complexities of the CETA system. Thus, the effects of business involvement system-wide would not have been felt until 1981. By that time the system was in a state of flux due to budget cuts and discussions on reauthorization of CETA.

Other Constraints

Other constraints limited business involvement in the Title VII process.

- o The majority of PIC administrative budgets in 1981 were less than \$50,000 and, therefore, operated with minimum staff and administrative support.

- o The majority of the 93 PICs surveyed by NAB share top level staff with other CETA programs. The survey reveals that this pattern holds true even for the largest PICs — those with budgets of over \$500,000.

PICs IMPACT ON TRAINING Despite the limitations of the Title VII experiment, PICs made a remarkable difference in program content and performance.

More placements

Despite the short and somewhat turbulent history of Title VII, its program content and performance differed substantially from standard CETA programs. Final FY 1981 data, for example, show Title VII placement rates 25 percent higher than IIB,C -- and at a 19 percent lower cost per placement. (Title VII authorizes funding for PSiP which was designed to increase private sector participation through the creation of private industry councils. Title IIB,C authorizes funding for standard CETA employment and training programs.)

Low percentage of funds spent on subsidized jobs

Title VII program content also differs significantly from Title IIB,C programs. Specifically, Title VII programs allocated 17 percent of expenditures to on-the-job training (OJT) programs, as compared with 9 percent for Title IIB,C. The opposite pattern occurred for work experience programs -- a form of subsidized employment at the minimum wage. Title VII spent only one percent of funds on work experience, compared to Title II expenditures of 29 percent.

These figures are key to understanding the difference in performance between Title VII and IIB,C programs. An analysis of participant placements by program category suggests that the higher performance levels for Title VII can be attributed in part to the program content -- that is, the higher percentage of OJT programs and the much lower percentage of work experience programs in Title VII. Work experience programs, whether Title VII or II, typically result in low placement rates and, therefore, have a negative effect on overall performance. Simply put, the data suggest that Title VII has been oriented more to training and private sector placement than Title IIB,C. Nearly one-third of IIB, C funds were spent on subsidized employment programs which place few people in permanent private sector jobs.

Greater participation by business

NAB's survey also suggests differences in operating experience between Title IIB,C and Title VII. Of the 93 PICs, for example, 48 percent reported that no subcontracts were granted to service deliverers historically utilized by prime sponsors for other CETA programs. That is, these PICs reported no overlap of service delivery agents between Title VII and IIB,C. Only 42 percent of Title VII funds were subcontracted to service deliverers involved in other CETA programs. These figures suggest active intervention on the part of private industry councils and their staff to tailor programs to reflect business needs.

PROGRAM AND FINANCIAL SUMMARY: TITLE II, B,C AND TITLE VII

		Title II,BC	Title VII
1.	Total Terminations	791,989	86,611
2.	Entered Unsubsidized Employment	308,662	41,258
3.	Transfers to Other Sub-Parts	66,855	9,090
4.	Entered Employment Rate (2/(1-3))	42.57%	53.22%
5.	Total Funds Expended	1,611,840,923	202,270,209
6.	Egs Expenditures	-	27,115,679
7.	Cost per Entered Employment	5,222.03	4,245.35

Source: Department of Labor, ETA
Fiscal Year 1981 Program
Status and Financial
Summary

**"CREAMING" NOT
EVIDENT**

Higher placements per dollar were not accomplished at the expense of disadvantaged target clientele.

Critics of Title VII have charged that high placement rates and cost efficiencies were accomplished by favoring less needy clients at the expense of those more needy — a practice called "creaming." The following national statistics indicate that these charges are greatly exaggerated. In general, the difference in efficiency does not appear to be accompanied by an equivalent difference in client characteristics.

PARTICIPANT CHARACTERISTICS: TITLE IIB,C AND TITLE VII

(As a percent of clients who entered unsubsidized employment)

	<u>Percent Entered Employment</u> (rounded to nearest percent)	
	<u>Title IIB,C</u>	<u>Title VII</u>
<u>OMB Poverty Level</u>		
70% of Lower Living Standard	96%	95%
<u>Race/Ethnic Group</u>		
White	54%	53%
Black	27%	30%
Hispanic	14%	12%
<u>Receiving AFDC</u>	15%	14%
<u>Receiving SSI</u>	3%	2%
<u>Education Status</u>		
School Dropout	29%	27%
H.S. Student	4%	3%
H.S. Graduate	48%	50%
Post H.S. Attendee	19%	21%

Source: Department of Labor, ETA
Fiscal year 1981 Summary
of participant characteristics

**BUSINESS INTEREST
IN CETA**

The business community has shown substantial interest in CETA despite serious obstacles.

Some critics question the commitment of business to anything beyond the corporate profit margin. The limited business role in CETA has been attributed by some to lack of interest in employment and training by business leaders. The evidence suggests otherwise.

**Business Interest
Widespread**

Evaluations of Title VII and other private sector initiatives indicate widespread business interest in employment and training programs.

- o An Ohio State University evaluation of Title VII found a "medium to high degree of business participation in 18 of 25 sites."

- o Randall Ripley's and Grace Franklin's study, "Private Sector Involvement in Employment and Training Program" states that "private sector involvement in STIP was fairly heavy —some sort of direct private sector participation was present in about two-thirds of the projects" despite the fact that STIP was limited and short-lived.

- o NAB's survey of 93 PIC's reported an average PIC meeting attendance rate of more than 80 percent.

The Alliance believes that many limitations on business input in CETA stem from weaknesses of the CETA system:

- o CETA's poor public image

- o The short history of private sector initiatives contained in STIP and PSIP

- o Low funding for such private sector initiatives

- o CETA's pervasive tendency toward over-regulation

- o Ambiguity regarding the PIC role in the CETA system.

PICs AS BROKERS

Besides improving program efficiency, PICs can play a key role in brokering between the business community and local education, training, and economic development programs.

One weakness of DOL performance statistics is that they overlook some of the most important and creative contributions of many private industry councils, especially in linking the business community with local education, training, and economic development programs. In cities like Buffalo and Boston, for example, PICs worked jointly with local economic development authorities in packaging training and economic development programs to retain and help expand area business firms.

While efforts like those in Buffalo remain exceptional, NAB's survey of 93 PICs indicates that about 70 percent have established some type of formal link with local economic development programs. Considering the short duration of Title VII, these accomplishments are a significant step toward establishing PICs as intermediaries between business and public efforts on training and employment.

PRIVATE SECTOR TRAINING VALUE

Other evidence confirms the value of private sector involvement in training.

Other CETA experience confirms the positive effect of private sector involvement. The Skill Training Improvement Program (STIP) — a precursor to Title VII — featured intensive customized training for individual firms with business involvement in curriculum design. STIP was short-lived, operating during 1977-78, when a total of \$325 million was appropriated to fund its activities. Like Title VII however, STIP produced higher placement rates. STIP results were 25 percent higher than standard CETA programs. STIP placement costs were about 30 percent higher than average; however, the cost of this intensive training appears justified by the high quality of the placements. STIP was more than twice as effective in raising client wage levels than any other CETA program.

Long term evaluations of the CETA program reveal similar patterns. The Continuous Longitudinal Manpower Survey (CLMS) measures the long term wage gains of CETA clients and compares these to a control group of persons with similar characteristics. Data are based upon aggregate statistics obtained from social security files and other survey techniques. The latest CLMS results show that on-the-job training programs, which by definition link with private employers, produced an average wage gain of \$850 per year for each client in 1977, the latest year for which data were available.

Classroom training, a program usually less directly tied to private employers, produced a \$350 wage gain per client. Work experience, a form of public employment, produced no measurable wage gain for CETA clients.

**BUSINESS PROVIDES
HIGH PERFORMANCE**

Long term evaluations of CETA as well as annual performance data for Title VII and STIP programs consistently point to the same conclusion: A strong positive correlation exists between program performance (quantity and quality of placements) and the involvement of business employers in the training process. If experience is a useful guide, then increased business involvement should result in:

- o Significantly improved job placement rates
- o Significantly lower costs per placement
- o higher quality of job placements, shown by long term job retention and wage gains
- o Improved linkage is a government word between the business community and local education, training and economic development activities.

Equally important, there is no reason to believe that improved performance will take place at the expense of more disadvantaged clients. Business employers may never act like an "open university" with free entrance to anyone regardless of qualifications, but their performance under Title VII shows they have given disadvantaged clients ample access to private sector job opportunities compared with other CETA programs. High performance was clearly not achieved by ignoring the needy and focusing on the easiest-to-employ. In fact, the statistics leave little doubt that, dollar-for-dollar, more service has been delivered to those in need via Title VII than by any other CETA program.

Finally, the evidence does not show a lack of business interest in employment and training but, rather, demonstrates a remarkable ability to take advantage of even limited opportunities to make a difference. Few would deny that CETA has created many road-blocks to increased private sector involvement — CETA's public image alone is a major deterrent. The performance statistics and evaluation data cited above are strong testimony to the level of business commitment and quality of business input in PSIP, despite the limited time and opportunity for introducing change into this complex and highly regulated system.